

TOWN OF CLAYTON
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2009



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Clayton
P.O. Box 1130
Clayton, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Clayton, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The Town of Clayton's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Clayton's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

The Town of Clayton received municipal grant funds under the following programs for the year ended June 30, 2009:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 09-1 - Report Filed Incorrectly

Criteria

Per Title 30, Delaware Code, Section 5165(b)(2), each municipality shall, "In a form prescribed by the State Treasurer, submit an accurate and complete annual report not later than October 1 of each year to the State Treasurer showing expenditures of municipal street aid funds for the preceding fiscal year ended June 30. Such form shall itemize each expenditure as represented on said form as "Other expenditures.""

Condition

The Town of Clayton submitted an annual report that was not accurately prepared or reviewed. The beginning cash balance was overstated \$1,077.44 and the ending cash balance was overstated \$736.97. The report was not added correctly resulting in an understatement of available funds by \$396.72. Interest earned was overstated by \$56.25.

Cause

The Town of Clayton was unaware that the beginning and ending cash balances must agree to the reconciled cash account. The interest earnings were overstated due to a clerical error of using the interest earned from June, 2008 to May, 2009. The addition error was a clerical mistake.

Effect

The Town of Clayton's failure to prepare accurate financial reports could result in the loss of grant funding.

Recommendation

The Town of Clayton should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

Auditee Response

The Town of Clayton will have a checks and balances system in place within 30 days to ensure that clerical mistakes are caught and corrected. Before any financial reports are submitted by a Clerk it will be double checked by the Budget Committee Chairperson.

FINDING NO. 09-2 - Report Filed Late

Criteria

Per Title 18, Delaware Code, Section 709(a), "It shall be the duty of the officer in charge of any state, county or municipal police department or bureau participating in the provisions of Sections 707 and 708 of this title to register with the State Treasurer on or before the 1st day of April in each year, and to provide the State Treasurer with the following information: the location, jurisdiction and average number of paid, full-time, sworn police officers employed for the year ending on the previous 31st day of December."

Condition

The Town of Clayton did not submit the Registration for Police Pension Fund Benefits form by April 1.

Cause

The Town of Clayton had to resubmit the form after the original filing was lost in the mail.

Effect

The Town of Clayton's failure to timely file the registration form could result in the loss of grant funding.

Recommendation

The Town of Clayton should ensure the form is submitted timely and maintain a copy of the notarized form submitted.

Auditee Response

An effective suspense system will be established and maintained to ensure any and all reports are filed in a timely manner. Report due dates will be suspended for a minimum of 2 weeks before they are due to eliminate late responses.

FINDING NO. 09-3 - Report Filed Incorrectly**Criteria**

Per Title 18, Delaware Code, Section 709(a), "It shall be the duty of the officer in charge of any state, county or municipal police department or bureau participating in the provisions of Sections 707 and 708 of this title to register with the State Treasurer on or before the 1st day of April in each year, and to provide the State Treasurer with the following information: the location, jurisdiction and average number of paid, full-time, sworn police officers employed for the year ending on the previous 31st day of December."

Condition

The Town of Clayton submitted a registration form that was not accurately prepared or reviewed. The total number of paid, full-time, sworn officers employed by the Town was overstated by one officer for two months of the three months tested.

Cause

The Town of Clayton had included an officer trainee who was in the process of obtaining the required training. The Town misunderstood the definition of a sworn officer because the trainee was sworn in by the Town council when hired.

Effect

The Town of Clayton's failure to prepare an accurate registration form resulted in the monthly average of sworn police officers to be overstated by one officer. Because of the overstatement, the Town may have received funds in excess of those for which they were eligible.

Recommendation

The Town of Clayton should determine the amount of any Police Pension funds received in excess of the amount eligible, due to reporting one extra police officer, and should return the excess funds to the State of Delaware.

Auditee Response

Before any reports leave the Town, whether Police, Public Works, or any department, they will be reviewed by a second party to ensure proper and complete compliance.

FINDING NO. 09-4 - Unauthorized Expenditures**Criteria**

Per the State Aid to Local Law Enforcement (SALLE) Manual, Chapter III, 6, "By signing the application, the Chief of Police, Mayor or Chief Administrator, and the Chief Fiscal Officer are agreeing that the funds received will be used for the purpose outlined in the application. Use of S.A.L.L.E. grant funds for other purposes without prior approval from the S.A.L.L.E. Committee will result in the termination of the grant and will require repayment of the funds expended without approval. A serious or repeated violation of the requirement as determined by the S.A.L.L.E. Committee may result in the department's ineligibility to receive S.A.L.L.E. funds for the next grant year."

Condition

The Town of Clayton expended \$32.11 that was ineligible under the grant, due to exceeding the authorized amount.

Cause

The error occurred due to employee oversight. The Town of Clayton requested and was approved for an amendment to the grant in the amount of \$1,422.84 which included equipment plus shipping. The actual invoice included shipping charges \$32.11 more than was requested. Because sufficient funds still remained in the SALLE account, the entire invoice amount was paid from SALLE funds.

Effect

The Town of Clayton's failure to obtain prior approval before expending more than the amendment allowed could result in the loss of grant funding.

Recommendation

The Town of Clayton should reimburse the SALLE account \$32.11 for the ineligible expenditure.

Auditee Response

This matter will be handled by the Police Committee Chairman and the Chief. Future requests for funds will include an authorized amount to cover the cost of shipping since companies do not ship orders free of charge.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 06-1 During completion of the Municipal Street Aid program checklist, it was noted that an authorized signature was not obtained on one of the cancelled checks. The Town's policy is to have one authorized signature on every check. The failure to obtain the necessary approvals for disbursements is an internal control weakness that does not properly safeguard Municipal Street Aid funds. The Town should ensure that the proper signatures are obtained to reduce the risk of improper use of the funds.

CURRENT YEAR STATUS Every check written in the current year included an authorized signature.

FINDING NO. 06-2 During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning and ending balances on the annual report were each overstated by \$3,144.35. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS See finding 09-1.

FINDING NO. 06-3 During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that the Town obtained bids for one Municipal Street Aid project. However, the public advertisement for bids was only published once by the Town, not once a week in two separate weeks as required by State regulations [29 Del. C. §6923(b) and 30 Del. C. §5165(b)(3)]. Failure to comply with applicable laws and regulations could result in the loss of grant funding.

CURRENT YEAR STATUS No bids were required for current year projects.

FINDING NO. 06-4 During completion of the Town of Clayton's program checklist for the Municipal Street Aid grant, it was noted that the Town paid two invoices more than 30 days after the receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. No additional charges were incurred by the Town due to the late payment. The delinquent payment of invoices could expose the Town to unnecessary late payment charges.

CURRENT YEAR STATUS All invoices were paid within 30 days.

FINDING NO. 06-5 During completion of the Town of Clayton's program checklist for the Police Pension grant, it was noted that the Town did not submit to the State Board of Pension Trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding

year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan, as required by State regulations [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

CURRENT YEAR STATUS Since the Town of Clayton does not participate in the proceeds of the insurance tax as outlined in [18 Del. C. §708(c)(2)], they were not required to file the listing for the current year.

FINDING NO. 06-6 During completion of the Town of Clayton's program checklist for the Police Pension grant, it was noted that the Registration for Police Pension Fund Benefits form was submitted timely to the Office of the State Treasurer, but the report was not accurately prepared or reviewed [18 Del. C. §709(a)]. The total number of paid, full-time, sworn officers employed by the Town was overstated by one officer for one month of the three months tested. Failure to prepare accurate reports could result in the loss of grant funding.

CURRENT YEAR STATUS See finding 09-2 and 09-3.

FINDING NO. 06-7 During completion of the Town of Clayton's program checklist for the State Aid to Local Law Enforcement (SALLE) and Emergency Illegal Drug Enforcement (EIDE), it was noted that one of the police officers on the Statement of Sworn Officers had not successfully completed a police training and education course at an approved school as required by Delaware Code [11 Del. C. §8405(a)]. The Town had included an officer trainee who was in the process of obtaining the required training. SALLE and EIDE grant funds awarded by the State are the sum of a minimum amount determined by the SALLE Committee and an amount based on the number of police officers. Therefore, the Town may have received funds in excess of those for which they were eligible.

CURRENT YEAR STATUS The five officers tested had all successfully completed a police training and education course at an approved school.

FINDING NO. 06-8 During completion of the Town of Clayton's program checklist for the State Aid to Local Law Enforcement (SALLE), it was noted that \$349.67 expended was ineligible under the grant, due to exceeding the authorized amount. Grant regulations require funds to be expended only for the purposes and activities outlined in the application (SALLE Manual, Chapter III, 6). The error occurred due to employee oversight when reimbursing the general fund from SALLE funds.

CURRENT YEAR STATUS See finding 09-4.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express

such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Clayton's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, reading "Sparano, Vincelotto, Villano". The signature is written in dark ink and is centered on the page.

Wilmington, Delaware
November 18, 2009